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SIPDIS

SENSITIVE

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STATE PASS TO USTR (VERONEAU, NOVELLI, SANFORD)
COMMERCE FOR ALDONAS
COMMERCE FOR ITA FRED ELLIOTT

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SUBJECT: THE AIRBUS A-380 - REVEALED

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11. (SBU) SUMMARY. Airbus hosted a lavish "A-380 Reveal" ceremony in Toulouse January 18 before 5000 invited guests, including French President Chirac, British PM Blair, German Chancellor Schroeder and Spanish Prime Minister Zapatero. The unveiling of the first fully-functional A380 superjumbo took place with Olympics-opening fanfare, and constituted a "celebration" of European industrial policy and innovation. Chancellor Schroeder made the only clear references to Boeing/Airbus, admonishing the European Commission to keep "Europe's interests" in mind when negotiating with the U.S. -- a seeming reference to Europe's need to preserve its ability to launch future publicly-funded initiatives such as Airbus. Airbus highlighted its global company image during the ceremony, featuring multimedia promotions and foreign airline testimonials heavy in English. Airbus cites 145 existing orders for the A-380, with 250 needed to break even, and claims that 700-750 orders are achievable over time. A major Chinese order is expected imminently. Both the guest list and reception buffet were international in flavor. Senior executives from FEDEX (Fred Smith), UPS, Goodrich, General Electric and a host of other U.S. suppliers and customers were present. END SUMMARY.

12. (U) Airbus Industries hosted a major event at its Toulouse, France production site January 18 to showcase the new A380 superjumbo jet. The event, heralded as the "A380 Reveal", attracted 5000 guests from around the world, including French President Chirac, British Prime Minister Blair, German Chancellor Gerhard Schroeder and Spanish Prime Minister Juan Luis Zapatero. CEOs of major customer airlines (Emirates, Singapore Air, Air France, KAL, Fedex, UPS, Virgin, Malaysian, Thai and others) were featured invitees. Economic and Commercial Minister-Counselors represented the Embassy, along with the just-arrived American Presence Post (APP) Toulouse Consul. Technical level FAA representatives participated from Washington.

13. (SBU) The well-organized ceremony resembled a combination of Olympics opening and heavyweight prize fight. The multimedia show featured an animated Merlinesque figure lauding man's capacity to innovate, and cloud-walking dancers reminiscent of the Athens Olympics opening ceremony. Airbus President Noel Forgeard led the four heads of state/government onto the stage like heavyweight prizefighters. Airbus highlighted its global company image during the ceremony, featuring multimedia promotions and foreign airline testimonials heavy in English (including Air France CEO Spinetta). Both the guest list and reception buffet were international in flavor.

14. (SBU) Airbus CEO Forgeard and the four European leaders played up the "celebration" of European industrial policy, cooperation and innovation. British PM Blair was careful to replace "European" with "British and European" in his praise for the various contributions to the A380. Chancellor Schroeder made the most substantive presentation, noting that the A380 was indicative of what "Old Europe" can accomplish. He took the opportunity to signal his support for broadening the participation of other European countries, including possibly Russia, in the ownership of Airbus, parent company EADS. (Comment. Germany may find attractive the prospect of diluting French influence in EADS and Airbus.) Schroeder was also the only speaker to highlight the Boeing/Airbus dispute, admonishing European Commission negotiators to keep "Europe's interests" in mind when negotiating with the U.S. -- a seeming reference to preserving Europe's ability to launch future publicly-funded initiatives such as Airbus.

15. (SBU) The recent tussle over the leadership of EADS (see reftel) was in evidence. (France has recently announced that Airbus CEO Forgeard will replace Philippe Camus as French co-chair of EADS later this year. That decision came after some resistance from Camus-supporter Arnaud Lagardere, whose Lagardere group controls 15 percent of EADS.) Both Forgeard and President Chirac heaped lavish praise on the late Jean Luc Lagardere, one of the driving forces behind the creation

of Airbus, while paying scant attention to his successor, son Arnaud. EADS co-chair Philippe Camus was virtually invisible during the ceremonies and Daimler-Chrysler CEO Jurgen Schrempp did not even attend, although EADS German co-chair Manfred Bischoff spoke at the event. (Comment. Daimler-Chrysler holds 30 percent of EADS and has reportedly been unhappy with reports that Forgeard and Chirac support scrapping the EADS French/German co-chair structure for a single, preferably French, CEO.)

16. (SBU) While the Airbus President and the four European leaders heralded the A380 project as a European success and the product of European cooperation, the European Commission played no visible role in the festivities. The four major participating countries and their global customers were the stars of the event.

17. (SBU) With 145 orders in hand, Airbus claims that it is in sight of the 250 aircraft reportedly needed to make the A380 venture profitable. Airbus executives are increasingly using a target number of 700-750 aircraft for eventual sales. The first flight of the A380 should take place in late March or early April, and officials hope to showcase the aircraft at the June 2005 Paris Air Show. Singapore Airlines will be the launch customer, with first commercial flights planned for early 2006. Reports were circulating in Toulouse yesterday that a major Chinese A380 order could be announced in the next week.

18. (SBU) COMMENT. The Airbus A380 superjumbo has yet to take flight, let alone fire up its (hopefully GE) engines and taxi out of its hangar. Yet, with 145 orders to date, European leaders are ready to cite it as a success for European cooperation and European industrial policy. Airbus is also at pains to highlight its global company identity, citing its worldwide customer base, global supply chain, and 85-nationality-strong labor force. Time will tell, however, how much of a success the A380 will become. Development and production costs continue to rise, and the eventual market size for the superjumbo remains undetermined. Nonetheless, for the moment, European leaders are content to promote the A380 as the poster child for European industrial cooperation.
END COMMENT.

Wolff